

Financial Statements and
Supplementary Information

New Jersey Turnpike Authority

*December 31, 1999 and 1998
with Report of Independent Auditors*

New Jersey Turnpike Authority

Financial Statements and Supplementary Information

December 31, 1999

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Report of Independent Auditors

To the Commissioners
New Jersey Turnpike Authority

We have audited the accompanying statement of assets, liabilities and fund balances of the New Jersey Turnpike Authority (the "Authority") as of December 31, 1999, and the related statements of revenues and expenses, changes in fund balances and cost of investment in facilities for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Authority for the year ended December 31, 1998 were audited by other auditors whose report dated January 29, 1999 expressed an unqualified opinion on those statements as to the conformity with the provisions of the Authority's 1991 Turnpike Revenue Bond Resolution.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, the accompanying financial statements were prepared on the modified cash basis of accounting to comply with the provisions of the Authority's 1991 Turnpike Revenue Bond Resolution and on the Authority's interpretation of such resolution, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the 1999 financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balances of the Authority as of December 31, 1999, and its revenues and expenses, and changes in its fund balances, and the cost of investment in facilities for the year then ended, on the basis of accounting described in Note 2.

Our audit was made for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the aforementioned financial statements. Such information, except for that portion marked “unaudited” on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the aforementioned financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the aforementioned financial statements taken as a whole.

EY

February 7, 2000

New Jersey Turnpike Authority

Statements of Revenues and Expenses

	Year ended December 31 1999	1998
Revenues:		
Toll revenue	\$369,497,031	360,831,625
Income from investments	8,845,059	10,366,994
Concession revenue	15,496,837	15,341,100
Miscellaneous revenue	1,741,869	2,458,463
ETC Project - Fiber Revenue	8,800,113	—
Total revenues	404,380,909	388,998,182
Transfer from Construction Fund	44,981,943	
Transfer from General Reserve Fund	—	44,071,362
Total revenues and interfund transfers from Construction Fund and General Reserve Fund	449,362,852	433,069,544
Operating expenses:		
Executive office	1,360,804	1,321,417
Public affairs	350,140	300,792
Law	1,041,136	1,011,897
Finance and budgets	2,477,218	2,226,158
Human resources	1,870,828	1,802,687
Technology and administrative services	6,391,125	6,322,303
Operations	2,706,448	2,436,477
State police	19,069,408	19,015,928
Toll collection	57,320,710	56,936,053
Maintenance	33,002,475	34,079,287
Engineering	1,884,679	1,891,126
Non-departmental	7,867,447	6,465,842
Employee benefits	27,513,019	27,070,741
Snow	1,729,472	645,242
Cash discounts	(1,842)	(3,899)
Total operating expenses before payment to ETC - Project Fund	164,583,067	161,522,051
ETC - Project Fund payment	3,432,044	—
Total operating expenses	168,015,111	161,522,051
Total revenues and interfund transfers from Construction Fund and General Reserve Fund in excess of operating expenses before net debt service	281,347,741	271,547,493
Debt service:		
Interest expense:		
Turnpike Revenue Bonds, Series 1991 A	19,568,250	21,132,900
Turnpike Revenue Bonds, Series 1991 C	78,931,953	79,083,623
Turnpike Revenue Bonds, Series 1991 D	22,964,900	22,964,900
Turnpike Revenue Bonds, Series 1992 A	33,511,540	36,168,070
Transfer to Debt Service Fund	82,365,159	77,460,000
Transfer to Charges Fund	1,113,000	1,113,000
Total debt service	238,454,802	237,922,493
Less interest from Construction Fund	17,548,800	17,418,000
Less debt service from Construction Fund	1,960,330	—
Net debt service	218,945,672	220,504,493
Total revenues and interfund transfers from Construction Fund and General Reserve Fund in excess of operating expenses and net debt service	62,402,069	51,043,000
Interfund transfers:		
To Special Project Reserve Fund	(20,000,000)	(14,500,000)
To ETC - Special Project Fund payment	(5,368,069)	—
To Maintenance Reserve Fund	(25,034,000)	(24,543,000)
To State Payment Fund	(12,000,000)	(12,000,000)
Total revenues and interfund transfers from Construction Fund and General Reserve Fund in excess of operating expenses, net debt service and interfund transfers	\$ —	—

See accompanying notes.

New Jersey Turnpike Authority

Statements of Assets, Liabilities and Fund Balances

December 31, 1999
(with comparative total figures for 1998)

	Funds Held by Authority					Funds Held by Trustees	Totals (Note 2)	
	Revenue Fund	Construction Fund	Maintenance Reserve Fund	Special Project Reserve Fund	General Reserve Fund	Debt Service Fund	1999	1998
Assets								
Cash	\$31,212,012	1,547,582	14,617	45,268	143,046	237	32,962,762	31,066,806
Investments (<i>Note 3</i>)	18,078,265	125,144,447	3,599,315	28,596,697	33,499,555	—	208,918,279	451,242,316
Receivables	8,535,890	1,564,905	—	1,023,841	—	—	11,124,636	10,755,227
Interfund accounts, net	(6,510,692)	6,397,317	(52,433)	165,937	—	(129)	—	—
Deposits	—	96,163	—	—	—	159,853,480	159,949,643	3,644,217
Cost of investment in facilities	—	3,339,653,871	—	—	—	—	3,339,653,871	3,286,736,500
Other assets	—	63,670	—	—	—	—	63,670	63,670
Total assets	\$51,315,475	\$3,474,467,955	\$3,561,499	\$29,831,743	33,642,601	\$159,853,588	3,752,672,861	3,783,508,736
Liabilities and fund balances								
Liabilities:								
Accrued interest payable	—	—	—	—	—	77,488,329	77,488,329	73,910,786
Withholdings from employees	\$ 739,919	—	—	—	—	—	739,919	786,301
Amounts retained from contractors and engineers	—	2,727,772	1,730,610	1,117,633	—	—	5,576,015	6,014,935
Other liabilities (<i>Note 3</i>)	11,488,856	—	75,480	152,662	—	—	11,716,998	11,369,038
Bond indebtedness (<i>Note 4</i>):								
Turnpike Revenue Bonds, Series 1991 A	—	294,870,000	—	—	—	—	294,870,000	320,520,000
Turnpike Revenue Bonds, Series 1991 C	—	1,232,115,000	—	—	—	—	1,232,115,000	1,234,730,000
Turnpike Revenue Bonds, Series 1991 D	—	371,000,000	—	—	—	—	371,000,000	371,000,000
Turnpike Revenue Bonds, Series 1992 A	—	563,060,000	—	—	—	—	563,060,000	612,255,000
Turnpike Revenue Bonds, Series 1992 B	—	48,981,669	—	—	—	—	48,981,669	45,967,164
Total liabilities	12,228,775	2,512,754,441	1,806,090	1,270,295	—	77,488,329	2,605,547,930	2,728,018,867
Fund balances:								
Applied to retirement of bond indebtedness	—	—	—	—	—	82,365,259	82,365,259	77,460,000
Balances retained	39,086,700	961,713,514	1,755,409	28,561,448	33,642,601	—	1,064,759,672	1,029,495,512
Total fund balances	39,086,700	961,713,514	1,755,409	28,561,448	33,642,601	82,365,259	1,147,124,931	1,106,955,512
Commitments and contingent liabilities (<i>Notes 6, 7 and 8</i>)	—	—	—	—	—	—	—	—
Total liabilities and fund balances	\$51,315,475	3,474,467,955	3,561,499	29,831,743	33,642,601	159,853,588	3,752,672,861	3,783,508,736

See accompanying notes.

New Jersey Turnpike Authority

Statements of Changes in Fund Balances

Year ended December 31, 1999 and 1998

	Revenue Fund	Construction Fund	Maintenance Reserve Fund	Special Project Reserve Fund	State Payment Fund	General Reserve Fund	Funds held by Trustees		Totals (Note 2)	
							Debt Service Fund	Charges Fund	1999	1998
Balance as of beginning of year	\$ 39,086,700	931,266,194	1,714,364	23,785,654	—	33,642,601	77,460,100	—	1,106,955,613	1,074,439,000
Add (deduct):										
Revenues and interfund transfer from General Reserve Fund in excess of operating expenses before net debt service	281,347,741	(44,981,943)	—	—	—	—	—	—	236,365,798	227,476,131
Transfers to fund bond interest expense	(137,427,843)	(17,548,800)	—	—	—	—	154,976,643	—	—	—
Bond interest expense	—	—	—	—	—	—	(154,976,643)	—	(154,976,643)	(159,349,493)
Capitalization of interest	—	17,548,800	—	—	—	—	—	—	17,548,800	17,418,000
Payment of other charges	—	(70,407)	(24,992,955)	(20,592,275)	—	—	—	(1,113,000)	(46,768,637)	(41,028,126)
Revenue fund transfers	(63,515,069)	—	25,034,000	25,368,069	12,000,000	—	—	1,113,000	—	—
Sinking fund payment	—	77,460,000	—	—	—	—	(77,460,000)	—	—	—
Sinking fund transfers	(80,404,829)	(1,960,330)	—	—	—	—	82,365,159	—	—	—
Required payment to the State of New Jersey	—	—	—	—	(12,000,000)	—	—	—	(12,000,000)	(12,000,000)
Balance as of end of year	<u>\$ 39,086,700</u>	<u>961,713,514</u>	<u>1,755,409</u>	<u>28,561,448</u>	<u>—</u>	<u>33,642,601</u>	<u>82,365,259</u>	<u>—</u>	<u>1,147,124,931</u>	<u>1,106,955,512</u>

See accompanying notes.

New Jersey Turnpike Authority

Statements of Cost of Investment in Facilities

Year ended December 31, 1999
(with comparative total figures for 1998)

	Original Turnpike Extensions and Additional Lanes	Revenues Invested in Facilities	1966 Turnpike Improvement	1971 Turnpike Improvement	1973 Improvement and Funding Program	1977 Turnpike System Revenue Bond Accounts	1984 Turnpike Revenue Bonds	Refunding of 1984 Bonds	1985-1990 Widening Project	Business Plan for the 90's	Totals	
											1999	1998
Engineering and architectural	\$ 28,083,278	12,125,827	32,051,535	11,566,356	18,997,183	—	—	—	153,068,194	128,656,428	384,548,801	352,047,273
Land, easements and rights-of-way, net of recoveries	25,771,162	6,073,263	28,704,263	4,074,507	7,013,092	—	—	—	24,713,537	429,111,845	525,461,669	513,723,106
Construction, including cost of training and equipping operating personnel, machinery and equipment and miscellaneous pre-operating expenses	371,398,653	69,099,391	390,553,355	103,797,024	30,811,393	—	—	—	386,016,061	524,178,302	1,875,854,179	1,884,004,135
Other costs, including administration	1,869,762	164,427	2,770,920	181,599	307,851	—	—	—	19,331,429	53,119,510	77,745,498	70,989,478
Financial	27,036,418	165,271	245,668,754	22,512,061	23,615,247	12,874,128	67,745,398	7,988,081	594,000,850	573,482,162	1,575,088,370	1,555,701,044
	454,159,273	87,628,179	699,748,827	142,131,547	80,744,766	12,874,128	67,745,398	7,988,081	1,177,130,071	1,708,548,247	4,438,698,517	4,376,465,036
Less income from interim investment of construction funds	7,763,714	3,929	82,042,352	19,485,504	46,808,678	—	—	—	653,015,748	289,924,721	1,099,044,646	1,089,728,536
	\$446,395,559	87,624,250	617,706,475	122,646,043	33,936,088	12,874,128	67,745,398	7,988,081	524,114,323	1,418,623,526	3,339,653,871	3,286,736,500

See accompanying notes.

New Jersey Turnpike Authority

Notes to Financial Statements

December 31, 1999

1. Organization and Function of the New Jersey Turnpike Authority

The New Jersey Turnpike Authority (the Authority) is a body corporate and politic created by the New Jersey Turnpike Authority Act of 1948, as amended and supplemented (the Act). The Act authorizes the Authority to construct, maintain, repair and operate the New Jersey Turnpike (the Turnpike System) projects at locations established by law and to issue Turnpike revenue bonds or notes of the Authority, subject to prior approval in writing from the Governor and from either or both the State Treasurer and the Director of the Division of Budget and Accounting of the Department of the Treasury, payable solely from tolls and other revenues of the Authority. Under the provisions of the Act, the Turnpike bonds or notes and the interest thereon shall not be deemed to constitute a debt or liability or a pledge of the faith and credit of the State or any political subdivision thereof.

The Authority's financial statements are included in the State of New Jersey's Comprehensive Annual Financial Report.

All revenues of the Turnpike System are required to be deposited by the Authority in the Revenue Fund, to be applied in accordance with the provisions of the Turnpike Revenue Bond Resolution, adopted August 20, 1991, as amended, restated and supplemented (the Bond Resolution).

2. Summary of Significant Accounting Policies

Nature of Funds

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. Resources are allocated to and accounted for in the individual funds based upon the provisions of the Bond Resolution. The various funds are as follows:

- Revenue Fund - This fund is the general operating fund of the Authority. It is used to account for all of the operating revenues and expenses.
- Construction Fund - This fund is used to account for financial resources to be used for cost of investment in facilities. Included in this fund are the proceeds from the issuance of Turnpike Revenue Bonds in 1991 and 1992 (see Note 4), and unexpended moneys related to projects authorized by previous bond issues.

New Jersey Turnpike Authority

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

- Maintenance Reserve Fund - amounts in this fund may be applied to the cost of major resurfacing, replacement, repairs, renewals or reconstruction of the Turnpike System.
- State Payment Fund - this fund is used to account for the moneys that are to be applied to payments required to be made to the State pursuant to the terms of an agreement between the State and the Authority (see Note 6).
- Special Project Reserve Fund - amounts in this fund may be applied to the cost of one or more special projects or additional projects. On an annual basis, the Special Project Reserve Fund is replenished up to the amount of the Special Project Reserve Requirement (\$50,000,000 for 2000 and \$45,000,000 for 1999). The required funding is determined by projecting the ending fund balance and comparing it to the Special Project Reserve Requirement. The difference is funded in 12 equal installments over the next fiscal year. The Special Project Reserve Requirement increases in years subsequent to 1999 in accordance with the requirements of the Bond Resolution to a maximum amount of \$50,000,000.
- General Reserve Fund - amounts in this fund are to be used to make up deficiencies in the Revenue Fund, the Debt Service Fund, the Debt Reserve Fund, the Charges Fund, the Maintenance Reserve Fund, the State Payment Fund and the Special Project Reserve Fund. Subject to certain terms, amounts in this fund which are not required to remedy any such deficiency may be applied to (a) the purchase or redemption of any bonds and expenses in connection therewith; (b) payment of principal and interest due upon redemption of variable rate debt, commercial paper and subordinated indebtedness, if any; (c) payments into the Construction Fund; (d) improvements, extensions, betterments, renewals and replacements of the Turnpike System or the provisions of reserves for these purposes; (e) payments into the Revenue Fund; and (f) any other corporate purpose, including but not limited to, additional required State payments, if any.
- Charges Fund - this fund is used to pay (a) fees and charges paid to a financial institution under a letter of credit and related reimbursement agreement, line of credit, standby bond purchase agreement or similar agreement; (b) fees and charges paid to the remarketing agent of the Series 1991 D bonds; and (c) fees and charges paid to the tender agent of the Series 1991 D bonds, but only to the extent that the Authority determines the foregoing amounts shall not be paid as operating expenses.

New Jersey Turnpike Authority

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

- Debt Service Fund - this fund accumulates the amounts required for (a) payment of interest and maturing principal amounts on all outstanding Turnpike revenue bonds when due; (b) payment of the redemption price and accrued interest on the bonds to be redeemed; and (c) payment of the purchase price of bonds purchased through application of moneys accumulated in this fund by reason of the payment of any sinking fund installment.
- Debt Reserve Fund - amounts in this fund are to be applied to make up any deficiency in the Debt Service Fund. The Bond Resolution provides that as a condition to the issuance of each series of 1991 and 1992 bonds there shall be deposited in the Debt Reserve Fund the amount, if any, necessary so that the amount in such fund equals the Debt Reserve Requirement calculated immediately after the issuance of such series of 1991 and 1992 bonds. The Debt Reserve Requirement is equal to the greatest amount of interest accruing on the outstanding bond indebtedness in any one year, subject to certain provisions set forth in the Bond Resolution (see Note 4).

Whenever the moneys and investment securities on deposit in the Debt Reserve Fund, together with the amount in the Debt Service Fund, are sufficient to pay in full all outstanding bonds in accordance with their terms, the funds on deposit in the Debt Reserve Fund are to be transferred to the Debt Service Fund.

The Authority may deposit a surety bond, insurance policy or letter of credit payable to the Trustees of the bonds in an amount equal to the difference between the Debt Reserve Requirement and amounts deposited in the Debt Reserve Fund, subject to conditions provided for in the Bond Resolution (see Note 4).

Basis of Presentation

Accounts of the Authority are maintained in accordance with the practices set forth herein, which are based on the provisions of the Bond Resolution and on the Authority's interpretation of the Bond Resolution. The significant practices, the first two of which differ in material respects from generally accepted accounting principles, are as follows:

- Depreciation of the Turnpike System and related facilities is not included as an operating expense or otherwise provided.

New Jersey Turnpike Authority

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

- Transfers from the Construction Fund and Debt Reserve Fund to the Revenue Fund and from the Revenue Fund to the Special Project Reserve Fund, Maintenance Reserve Fund, and State Payment Fund are presented in the statement of revenues and expenses.
- Cost of investment in facilities are generally recorded when paid except for amounts payable to contractors and engineers that are withheld (as retainage) which are recorded when incurred. Income on unexpended construction funds is credited to cost of investment in facilities when received.
- Cost of investment in facilities also include expenses in connection with the offering, selling, and issuance of bonds and notes; discount on the sale of bonds and notes; costs of issuing and refunding bonds; costs of certain real estate in excess of right-of-way requirements which may be sold and the proceeds applied in reduction of construction costs; certain interest on bonds and notes (less income received on unexpended construction funds); and administrative, legal and certain insurance expenses incurred during the construction period.
- Toll revenues are generally recorded when received except for toll revenues received under the commercial vehicle charge account program which are recorded on the accrual basis.
- Income on investments and from concessions is recorded when received. Investments which mature within one year are valued at cost (which approximates fair value) and investments with a maturity date in excess of one year from date of purchase are recorded at amortized value.
- Other income and receipts, from whatever source derived, are recorded as revenue when received.
- Operating expenses are recorded when paid except for reserves for general liability insurance claims for which the Authority is self-insured, unemployment insurance premiums withheld from employees, and certain other reasonable and necessary operating expenses which do not recur annually.
- Interest on bond indebtedness is recorded on the accrual basis.

New Jersey Turnpike Authority

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

- Costs for major repairs, replacements or maintenance items of a type not recurring annually or at shorter intervals and costs for major resurfacing, replacement, repairs, renewals or reconstruction of the Turnpike System are recorded when paid except for amounts payable to contractors and engineers that are withheld (as retainage). Such costs are included in other charges in the accompanying statement of changes in fund balances.

Certain 1998 balances have been reclassified to conform with current year presentation.

“Total” columns contain the totals of the similar accounts of the various funds. Since the assets of the funds are restricted, the combination of the accounts, including the assets therein, is for comparison only and does not indicate that the combined assets are available in any manner other than that provided for in the Bond Resolution.

3. Investments

As of December 31, 1999, investments consist of the following:

Repurchase agreements	\$ 14,225,000
Commercial paper	44,221,813
U.S. Treasury backed federal agency discount notes	150,471,466
	<u>\$208,918,279</u>

As of December 31, 1999, all of the commercial paper investments are rated at least A1, P1 and mature within a period of sixty days.

4. Other Liabilities

Other liabilities at December 31, 1999 includes approximately \$2.8 million of funds to satisfy general liability insurance claims for which the Authority is self-insured, approximately \$4.0 million of funds which are designated to satisfy unemployment insurance claims and approximately \$4.7 million of funds designated for other obligations of the Authority all in the Revenue Fund.

New Jersey Turnpike Authority

Notes to Financial Statements (continued)

5. Bond Indebtedness

Under the Authority's Plan of Finance, Turnpike Revenue Bonds in an aggregate principal amount totaling approximately \$2.9 billion were issued in 1991 and 1992. This resulted in the refunding or defeasance of all outstanding Turnpike Revenue Bonds, Series 1984 and 1985, and the funding of capital projects contained in the Plan of Finance.

As of December 31, 1999, bond indebtedness consists of the following:

Turnpike Revenue Bonds:

Series 1991 A, due January 1, 1994 to 2003, January 1, 2008 and January 1, 2014 with interest at 5.25% to 6.90%	\$ 294,870,000
Series 1991 C, due January 1, 1994 to 2011, January 1, 2013 and January 1, 2016 with interest at 4.80% to 6.50%	1,232,115,000
Series 1991 D, due January 1, 2018, with interest at 6.19% under an interest rate swap agreement (see below)	371,000,000
Series 1992 A, due January 1, 1996 to 2006, January 1, 2012 and January 1, 2018 with interest at 4.80% to 6.20%	563,060,000
Series 1991 B, due January 1, 2000 to 2012, with yields to maturity at 6.10% to 6.70% (see below)	48,981,669
	<u>\$2,510,026,669</u>

For the Series 1991 C bonds maturing in 2007 and 2013, the Series 1991 D bonds maturing in 2018 and the Series 1992 B bonds, principal and interest payments are insured on the stated maturity and interest payment dates through municipal bond insurance.

Interest on all outstanding bond indebtedness, except for capital appreciation bonds (see below) is payable semiannually on each January 1 and July 1. Unless converted to a fixed interest rate, the Series 1991 D bonds pay interest to bondholders at a variable weekly interest rate (the average rate for 1999 was 3.04%) subject to a maximum rate of 12%. Regardless of whether the Series 1991 D bondholders are paid a variable rate or a fixed rate, under an interest rate swap agreement with a financial institution, the Authority will pay interest at a fixed rate of 6.19% for the entire term of the Series 1991 D bonds.

The Series 1992 B bonds, which are capital appreciation bonds, were originally issued in the amount of \$30,016,972 and are reported at their accreted value of \$48,981,669 as of December 31, 1999, and mature annually from January 1, 2000 through January 1, 2012 at accreted values aggregating \$70,200,159.

New Jersey Turnpike Authority

Notes to Financial Statements (continued)

5. Bond Indebtedness (continued)

Series 1991 A, Series 1991 C and Series 1992 A bonds in the principal amount of \$840,600,000 are subject to mandatory redemption prior to maturity in specified principal amounts and such bonds in the principal amount of \$723,975,000 are subject to optional redemption prior to maturity at varying redemption prices. The Series 1992 B bonds are not subject to mandatory or optional redemption prior to maturity. If converted to a fixed interest rate, the Series 1991 D bonds are subject to mandatory redemption prior to maturity in specified principal amounts. The Series 1991 D bonds are also subject to optional redemption prior to maturity.

All bonds outstanding under the Bond Resolution, together with amounts owed under the interest rate swap agreement, are secured on a parity by a pledge of Net Revenues of the Authority senior in priority to any other Authority obligations secured by such net revenues. The off balance sheet risk associated with this interest rate swap agreement between the Authority and AIG Financial Products Corp., which is not reflected in the accompanying statement of assets, liabilities and fund balances as of December 31, 1999, is a termination payment. This payment, which under certain circumstances could be a substantial amount, would be required to be made by the Authority, if the Authority opted to cancel this agreement. However, the Authority does not intend to terminate this agreement.

In accordance with the Bond Resolution, the Authority, to meet the Debt Reserve Requirement (see Note 2), may maintain a surety bond or insurance policy payable to the Trustee in lieu of the required deposits in the Debt Reserve Fund. As of December 31, 1999, the Authority maintained insurance policies with a face amount of \$97,760,585 and a surety bond with a payment limit of \$72,809,446.

The Bond Resolution provides that revenues or other funds not required to secure the Authority's outstanding bond indebtedness or for payment to the New Jersey Transportation Trust Fund Authority (see Note 6) are required to be applied to the Authority's corporate purposes or as may be provided by law in the future.

New Jersey Turnpike Authority

Notes to Financial Statements (continued)

5. Bond Indebtedness (continued)

The following table sets forth as of December 31, 1999 payments of principal (through sinking fund installments) and interest to be made to the Debt Service Fund from the Revenue Fund on all outstanding bonds of the Authority for the next five years and thereafter (in thousands):

	Principal	Interest	Total
2000	\$ 85,537	153,836	239,373
2001	91,362	149,174	240,536
2002	97,865	144,060	241,925
2003	104,547	138,423	242,970
2004	107,680	132,564	240,244
Thereafter	1,923,708	987,069	2,910,777
	<u>\$2,410,699</u>	<u>1,705,126</u>	<u>4,115,825</u>

The Authority has covenanted that it will charge and collect such tolls and other charges as shall be required in order that in each calendar year net revenues (as defined) shall at least equal the greater of (1) the sum of the aggregate annual debt service on all outstanding bonds, maintenance reserve payments, state payments and special project reserve payments and payments, if any, to the charges fund for each calendar year; or (2) 1.20 times the sum of the aggregate annual debt service on all outstanding bonds, for each calendar year. Net revenues with required transfers were sufficient to satisfy the most restrictive toll covenant requirements for 1999.

6. Pension and Deferred Compensation

Employees of the Authority are covered by the Public Employees Retirement System (PERS) of the State of New Jersey. Authority pension plan contributions, amounting to \$-0- in 1999 and 1998, were based on annual billings received from PERS. Authority employees are also covered by the Federal Social Security Act.

In 1980, the Authority established the Employees Deferred Compensation Plan. All permanent employees are eligible to participate in the plan, which permits participants to defer annually a portion of their salary. The Authority does not make any contributions to the plan.

During 1999, in accordance with a change in the Internal Revenue Code, the Authority amended the plan to establish an exclusive benefit trust whereby all plan investments are

New Jersey Turnpike Authority

Notes to Financial Statements (continued)

6. Pension and Deferred Compensation (continued)

held for the exclusive benefit of the plan's participants and beneficiaries and are not subject to the claims of the Authority's general creditors. Therefore, the assets of the plan have not been presented in the 1999 financial statements and, for purposes of comparison, have been removed from the 1998 financial statements.

7. Commitments and Contingent Liabilities

In addition to commitments in the normal course of business, the Authority is contingently liable under pending lawsuits and claims in which the Authority is named a defendant, relating primarily to construction claims and environmental matters. In the opinion of the Authority, the aggregate liability of such actions would not materially affect its financial statements and sufficient funds are available in the construction accounts to satisfy payments in connection therewith.

Under the terms of an agreement dated April 27, 1984 and an amendment dated August 1, 1995, the Authority agreed to make annual payments to the State of New Jersey to assist in transportation purposes. These payments, which aggregate \$12,000,000 annually, are due until all obligations of the New Jersey Transportation Trust Fund Authority as set forth in the 1995 Amendments are paid or such payment has been provided for. The payments to the State of New Jersey are subordinate to debt service payments under all outstanding bonds.

The Authority is committed under contracts related to the Business Plan for the 90's. The contracts are primarily construction contracts and the open commitments totaled approximately \$63,043,500 as of December 31, 1999 all of which are fully funded.

8. Electronic Toll Collection Project

The Authority is the lead agency of an electronic toll collection consortium consisting of the Authority, the New Jersey Highway Authority, the State of Delaware, acting by and through its Department of Transportation, The Port Authority of New York and New Jersey and the South Jersey Transportation Authority (collectively, the "Consortium"). The Consortium is part of a larger regional group, named the Inter Agency Group, whose function is to allow all its members to interchangeably use their electronic toll collection technology. This means that a Consortium customer may use the ETC facilities at the New York State Thruway, the MTA Bridges and Tunnels, and The Delaware River Port Authority, as well as others. Inter Agency Group members have created a Reciprocity Agreement among its members, whereby valid transponder numbers of customers of

New Jersey Turnpike Authority

Notes to Financial Statements (continued)

8. Electronic Toll Collection Project (continued)

other members are exchanged, and accounts are cross-debited as appropriate, in a similar fashion to the way credit card customers have their accounts processed through clearing houses.

The Consortium awarded a contract (the “ETC Contract”) to MFS Network Technologies, Inc. (“MFS”), on March 10, 1998 for the design, installation and implementation of an electronic toll collection system, the design, installation, marketing, operation and maintenance of a fiber optic system and the design, installation, implementation, maintenance and operation of a customer service center and violations processing center (the “Project”). Financing for the construction costs and initial operating costs of the ETC Project was provided through the issuance by the New Jersey Economic Development Authority (the “NJEDA”) of its \$300,000,000 Economic Development Transportation Bonds (Electronic Toll Collection Project) Series 1998 (the “ETC Bonds”). The costs and expenses of the ETC Project, including debt service on the ETC Bonds, are to be paid from administrative fees resulting from toll violations and rents from the leasing of excess fiber optic capacity (“ETC System Proceeds”) and certain other amounts, including investment earnings on prepayments by certain users of the electronic toll collection system, and, in the event of ETC System Proceeds and other amounts are inadequate to pay all costs and expenses, then from pro rata contributions by the Consortium members. ETC System Proceeds constitute Pledged Revenues under the Bond Resolution and are subject to the lien and pledge of the Bond Resolution.

Contemporaneously with the execution of the ETC Contract and the issuance of the ETC Bonds, the Authority and the other Consortium members executed a True-Up Agreement, also dated March 10, 1998 (the “True-Up Agreement”). Pursuant to the terms of the True-Up Agreement, the Authority’s initial pro rata share of potential liability is 48% of the total excess, if any, of the costs and expenses of the ETC Project (including debt service on the ETC Bonds) over the ETC System Proceeds, the proceeds of the ETC Bonds and certain other amounts. The Authority’s obligation, if any, to pay its pro rata share is independent of the obligation of any other Consortium member.

Pursuant to the ETC Contract and the True-Up Agreement, the Authority is required to make monthly payments (“Monthly Payments”) to the ETC Trustee in an amount equal to the ETC System Proceeds received by the Authority for the immediately preceding month. The True-Up Agreement provides that a percentage of each Monthly Payment will constitute Operating Expenses of the Authority and the remaining amount of the Monthly Payment will be payable from the Special Project Reserve Fund, to the extent

New Jersey Turnpike Authority

Notes to Financial Statements (continued)

8. Electronic Toll Collection Project (continued)

available, and then from the General Reserve Fund. Any other payments, if any, under the True-Up Agreement will only be payable from the Special Project Reserve Fund or General Reserve Fund, as the case may be.

The Consortium is required, on an annual basis, to prepare projections of anticipated revenues and expenses relating to the ETC Project. At present, the projections do not show a material deficiency for which the Authority believes a reserve needs to be created. An updated projection of revenues and expenses will be available in the Spring, 2000.

9. Year 2000 Compliance - Unaudited

The New Jersey Turnpike Authority is aware of the issues associated with information technology as it relates to the new millennium (Year 2000) and has successfully implemented a plan to prevent the interruption of operations.

To date, mainframe computers have been assessed and tested for Year 2000 compliance. The Authority has also used the services of an outside consultant to address Year 2000 compliance as it pertains to networked personal computers and embedded devices.

Through February 7, 2000, the date of this report, the Authority has operated without any major interruptions of its operations relating to Year 2000.

10. Subsequent Event

At the January 25, 2000 meeting the Board of Commissioners approved the New Jersey Turnpike Authority Financing Plan. The Plan consists of three major elements: (i) a refinancing of approximately \$665 million of outstanding bonds to achieve interest savings; (ii) the restructuring of approximately \$220 million of outstanding bonds to achieve a more favorable debt repayment structure; and (iii) the issuing of bonds to fund a \$917 million five-year capital program. In order to fund the five-year capital program the Commissioners, with the prior approval of the Governor and State Treasurer approved two toll increases, each the equivalent of a 10% across the board increase, the first of which will be effective with the implementation of E-Z Pass but no later than January 1, 2001 and the second to be effective January 1, 2003.

New Jersey Turnpike Authority

Schedule of Investments

December 31, 1999

	Interest Rate	Maturity	Par Value	Carrying Value
Revenue Fund:				
Other (Note A)	Various	Various	\$ 18,130,042	18,078,265
Construction Fund:				
Other (Note A)	Various	Various	126,648,755	125,144,447
Maintenance Reserve Fund:				
Federal Home Loan Bank discount note	3.90%	January 11, 2000	3,604,000	3,599,315
Special Project Reserve Fund:				
Other (Note A)	Various	Various	28,829,818	28,596,697
General Reserve Fund:				
Other (Note A)	Various	Various	33,897,000	33,499,555
Total investments			<u>\$211,109,615</u>	<u>208,918,279</u>

Note:

(A) Includes Federal National Mortgage Association discount notes, Federal Home Loan Mortgage Corporation discount notes, Federal Home Loan Bank discount notes, Short-Term Repurchase Agreements and Commercial Paper (rated at least A1, P1). These securities bear annual interest rates of 3.50% to 6.08% and mature periodically from January 4, 2000 through March 2, 2000.

New Jersey Turnpike Authority
Schedule of Cash Receipts and Disbursements

December 31, 1999

	Funds Held by Authority						Funds Held by Trustees		Total
	Revenue Fund	Construction Fund	Maintenance Reserve Fund	Special Project Reserve Fund	State Payment Fund	General Reserve Fund	Debt Service Fund	Charges Fund	
Cash balances, December 31, 1998	\$ 30,497,887	377,670	35,793	81,918	—	54,381	19,157	—	31,066,806
Receipts:									
Revenues	404,380,909	—	—	—	—	—	—	—	404,380,909
Transfers from Revenue Fund	(281,347,741)	—	25,034,000	25,368,069	12,000,000	—	217,832,672	1,113,000	—
Transfers to Revenue Fund	51,500,000	(51,500,000)	—	—	—	—	—	—	—
Net change in investments	(2,200,940)	99,971,295	38,986	(4,111,565)	—	(2,725,469)	151,351,731	—	242,324,038
Net change in receivables	(1,804,431)	1,831,296	—	(396,274)	—	—	—	—	(369,409)
Net change in other assets	—	3,524,304	—	23,750	—	—	—	—	3,548,054
Income on Construction Fund investments	—	9,316,110	—	—	—	—	—	—	9,316,110
Transfer of funds, net	(2,527,432)	(19,565,001)	3,413	(234,271)	—	2,814,134	19,509,157	—	—
Total receipts	198,498,252	43,955,674	25,112,192	20,731,627	12,000,000	143,046	388,712,717	1,113,000	690,266,508
Disbursements:									
Operating disbursements	168,015,111	—	24,992,955	20,592,275	—	—	—	1,113,000	214,713,341
Interest on bond indebtedness	—	—	—	—	—	—	151,399,000	—	151,399,000
Debt service requirement	—	—	—	—	—	—	77,460,000	—	77,460,000
Payments to State of New Jersey	—	—	—	—	12,000,000	—	—	—	12,000,000
Debt service deposits	—	—	—	—	—	—	159,853,480	—	159,853,480
Cost of construction, studies, major repairs and other purchases	—	43,075,601	—	—	—	—	—	—	43,075,601
Net change in current liabilities	(728,871)	(667,509)	104,620	94,084	—	—	—	—	(1,197,676)
Total disbursements	167,286,240	42,408,092	25,097,575	20,686,359	12,000,000	—	388,712,480	1,113,000	657,303,746
Cash balances, December 31, 1999	\$ 31,212,012	1,547,582	14,617	45,268	—	143,046	237	—	32,962,762

Market Value of Securities Pledged to	
Cash Balance	Secure Deposits
Cash balances:	
Toll collectors and other imprest funds	\$ 404,340
First Union	28,045,157
Summit Bank	3,319,270
Bank of New York	1,193,995
	<u>\$32,962,762</u>
	<u>81,678,174</u>

New Jersey Turnpike Authority

Schedule of Bond Indebtedness

December 31, 1999

	Original Amount Authorized and Issued	Refunded or Acquired and Canceled in Prior Year	Mandatory Redemption/ Sinking Fund Installments	Accretion of Capital Appreciation Bonds	Amount Outstanding December 31, 1999
Turnpike revenue bonds:					
Series A, 4.75% (1966 issue), maturing January 1, 2006	\$ 179,000,000	(179,000,000)	—	—	—
Series A, 5.12% (1968 issue), maturing January 1, 2008	75,000,000	(75,000,000)	—	—	—
Series C, 5.20% (1968 issue), maturing January 1, 2008	125,000,000	(125,000,000)	—	—	—
Series D, 5.75% (1969 issue), maturing January 1, 2008	60,000,000	(60,000,000)	—	—	—
Series E, 5.87% (1969 issue), maturing January 1, 2008	40,000,000	(40,000,000)	—	—	—
Series F, 7% (1969 issue), maturing January 1, 2009	137,000,000	(137,000,000)	—	—	—
Series G, 5.75% (1972 issue), maturing January 1, 2009	155,100,000	(155,100,000)	—	—	—
	771,100,000	(771,100,000)	—	—	—
Turnpike improvement revenue bonds:					
First series, 5.70% (1973 issue), maturing May 1, 2013	210,000,000	(210,000,000)	—	—	—
General revenue bonds:					
Turnpike revenue bonds (1950 issue), 3.25%, matured January 1, 1985	220,000,000	(220,000,000)	—	—	—
Turnpike revenue bonds (1951 issue), 3.20%, matured January 1, 1986	35,000,000	(35,000,000)	—	—	—
	255,000,000	(255,000,000)	—	—	—
Second series revenue bonds	211,200,000	(211,200,000)	—	—	—
Turnpike notes:					
Series A, 4.62% (1971 issue), matured January 1, 1975	125,500,000	(125,500,000)	—	—	—
Turnpike system revenue bonds:					
First series, 6% (refunding issue), maturing January 1, 2014	202,415,000	(202,415,000)	—	—	—
Turnpike revenue bonds:					
1984 Series, 6.75% to 12%, maturing January 1, 2003 through 2014	501,825,000	501,825,000	—	—	—
Turnpike revenue bonds:					
1985 series, bi-modal multi-term format (BMTF):					
Mode 1 (tender dates ranging from one week to July 2, 1990)	2,000,000,000	(2,000,000,000)	—	—	—
Mode A (tender dates ranging from one week to January 1, 2018)	1,000,000	(1,000,000)	—	—	—
	2,001,000,000	(2,001,000,000)	—	—	—
1985 series, Mode A, 7.2% maturing January 1, 2018	2,000,000,000	(2,000,000,000)	—	—	—

New Jersey Turnpike Authority
Schedule of Bond Indebtedness (continued)

December 31, 1999

	Original Amount Authorized and Issued	Refunded or Acquired and Canceled in Prior Year	Mandatory Redemption/ Sinking Fund Installments	Accretion of Capital Appreciation Bonds	Amount Outstanding December 31, 1999
Turnpike revenue bonds:					
Series 1991 A, 5.25% to 6.90%, maturing January 1, 1994 through 2003, January 1, 2008 and January 1, 2014	\$ 423,205,000	—	(128,335,000)	—	294,870,000
Series 1991 B, 4.45% to 5.25%, maturing January 1, 1994 and January 1, 1995	79,340,000	—	(79,340,000)	—	
Series 1991 C, 4.80% to 6.50%, maturing January 1, 1994 through 2011, January 1, 2013 and January 1, 2016	1,247,850,000	—	(15,735,000)	—	1,232,115,000
Series 1991 D, (interest at 6.19% under an interest rate swap agreement) maturing January 1, 2018	371,000,000	—		—	371,000,000
Series 1992 A, 4.80% to 6.20%, maturing January 1, 1996 through 2006, January 2012 and January 1, 2018	741,110,000	—	(178,050,000)	—	563,060,000
Series 1992 B, capital appreciation bonds, maturing January 1, 2000 through 2012 with yields to maturity at 6.10% to 6.70%	30,016,972	—		18,964,697	48,981,669
	2,892,521	—	(401,460,000)	18,964,697	2,510,026,669
	<u>\$9,170,561,972</u>	<u>(6,278,040,000)</u>	<u>(401,460,000)</u>	<u>18,964,697</u>	<u>2,510,026,669</u>

Note:

As of December 31, 1999, bond and note indebtedness totaling \$6,278,040,000 had been defeased or retired from the following sources:

Revenues	\$ 557,840,082
Excess construction funds, bond proceeds and miscellaneous receipts allocated to revenues	20,037,918
Issuance of Series G (refunding issue) Turnpike Revenue Bonds to refund Series F bonds for redemption on January 1, 1979	137,000,000
Portion of proceeds of the 1973 Turnpike Improvement Revenue Bonds used to retire Turnpike notes, Series A	125,500,000
Issuance of Turnpike System Revenue Bonds, first series (refunding) to refund the 5.70% Turnpike Improvement Revenue Bonds, first series, for retirement in accordance with sinking fund installment established at the time of their issuance	210,000,000
Issuance of Turnpike Revenue Bonds, 1984 Series to refund the Turnpike Revenue Bonds Series A through E and Series G and the Turnpike System Revenue Bonds, First Series (refunding), for retirement in accordance with sinking fund installments established at the time of their issuance	724,837,000
Issuance of Turnpike Revenue Bonds, 1985 Series, Mode A used to retire 1985 Series bi-modal, multi-term format Mode 1 Bonds	2,000,000,000
Retirement of Turnpike Revenue Bonds, 1985 Series, Mode A	1,000,000
Issuance of Turnpike Revenue Bonds, Series 1991 A through D to refund Turnpike Revenue Bonds, 1984 Series and a portion of Revenue Bonds, 1985 Series	2,085,460,000
Redemption and retirement of Turnpike Revenue Bonds, 1985 Series from moneys in the Construction Fund	416,365,000
	<u>\$ 6,278,040,000</u>

New Jersey Turnpike Authority

Schedule of Toll Revenue

Years ended December 31, 1999 and 1998

Class	Description	1999		1998	
		Toll Revenue	Number of Vehicles (unaudited)	Toll Revenue	Number of Vehicles (unaudited)
1	Passenger car, motorcycle, taxi or hearse, light truck	\$235,190,466	185,555,668	230,748,214	182,911,005
2	Vehicles having two axles other than type described under Class 1	19,613,794	6,700,350	18,743,680	6,440,503
3	Vehicle (vehicles), single or in combination, having three axles	9,047,191	2,636,001	8,710,596	2,554,156
4	Vehicle (vehicles), single or in combination, having four axles	13,174,422	2,594,562	12,798,527	2,544,331
5	Vehicle (vehicles), single or in combination, having five axles	89,571,455	13,819,599	84,992,507	13,136,848
6	Vehicle (vehicles), single or in combination, having six or more axles	1,061,396	150,147	988,440	141,225
7	Buses having two axles	679,940	377,195	675,050	379,379
8	Buses having three axles	4,415,107	1,316,925	4,399,979	1,300,823
	Nonrevenue vehicles	—	1,744,585	—	1,714,766
		372,753,771	214,895,032	362,056,993	211,123,036
	Discounts	(2,902,573)		(972,780)	
	Total adjustments	(354,167)		(252,588)	
		<u>\$369,497,031</u>		<u>360,831,625</u>	

Supplementary Information